

1 digital domain. In order to compete, broadcasters must first
2 have the technical capability to provide consumers with
3 comparable picture and sound. HDTV, if that's what consumers
4 want and that's what our competitors are giving them.
5 Imagine, could broadcasting be competitive today if government
6 policies had forced us to remain a black and white medium
7 while all other video services had moved to color, of course
8 not.

9 Our competitive disadvantage will be just as acute,
10 if we don't have the ability to offer the same high definition
11 pictures and CD quality sounds that will be available on
12 cable, telco and satellite programming services. Broadcasting
13 is the only competitor to these paying media that is free and
14 available to everyone. We're not asking for special
15 treatment, quite the contrary. We're trying to prevent the
16 tilting of the competitive playing field against us.

17 Secondly, in order to compete, broadcasters must be
18 able to reach the entire potential audience, we need universal
19 access. Once we have access to the audience, we'll compete
20 with all video services. What we cannot tolerate is a
21 gatekeeper who stands between broadcasters and the audience,
22 and we're particularly concerned about gatekeepers who own
23 their own programming or program services and, therefore, have
24 ever incentive to favor their proprietary interests over
25 others. If our ability to attract a mass audience is

1 | impaired, the economic base of broadcasting will almost
2 | certainly be destroyed, and if the public's access to
3 | broadcasting is curtailed, broadcasters will find it
4 | increasingly difficult to serve the needs and interests of
5 | local communities.

6 | It is important that government rules and policies
7 | allow broadcasters to compete for several reasons. To begin
8 | with, broadcasting will be the foundation for and delivery of
9 | all digital video technology. If broadcasting isn't competing
10 | in digital, it will take consumers far longer to buy digital
11 | sets. Without the programming investment and promotion of
12 | broadcast television behind them, many of the new services you
13 | will hear about today will never be launched, many of that are
14 | launched will fail or be marginally successful.

15 | But if broadcasting cannot compete, it will affect
16 | more than television. The unique promotional power of
17 | broadcast television is critical to the launch of new consumer
18 | products and services and therefore critical to the GNP.
19 | Entertainment programming is one of this country's biggest
20 | exports with television programs accounting for 21 percent of
21 | the \$8 billion generated abroad during 1994. So, as
22 | broadcasting is diminished, it will negatively affect the
23 | balance of trade.

24 | Equally important, over-the-air television is the
25 | one medium that provides the same high quality programming to

1 both the haves and the havenots. It is the most widely shared
2 experience of our society.

3 For these reasons, the decisions the FCC faces are
4 momentous. I implore you to make those decisions in a way
5 that allows NBC and other broadcasters to succeed or fail in
6 the marketplace as equal competitors. Please don't condemn us
7 to an early demise by forcing us to compete as an analog or
8 inferior digital pace against the pay services of tomorrow.
9 Thank you.

10 COMMISSIONER HUNDT: Thank you, Mr. Hendricks.

11 MR. HENDRICKS: Mr. Chairman and Commissioners, my
12 name is John Hendricks, and I'm the founder, chairman, and CEO
13 of Discovery Communications. Discovery is a privately held
14 multimedia company which manages and operates the Discovery
15 Channel and The Learning Channel and other related businesses.
16 I'm testifying today on behalf of the National Cable
17 Television Association, which, as the principal cable industry
18 trade association, represents the interests of cable
19 programming networks such as Discovery. However, let me
20 devote just one sentence to my role as a TV consumer every
21 night, and how generally excited I am about the new
22 differentiated services that my broadcast competitors will be
23 introducing through advanced digital television.

24 I appreciate the opportunity to appear before your
25 to discuss, from the perspective of a non-broadcast, cable

1 programmer, the implications of the transition to digital
2 television. The cable industry generally has been ahead of
3 the back in embracing technological advances such as digital
4 compression. For example, we, at Discovery, have taken the
5 lead in enhancing consumer control over viewing opportunities
6 through the development of at digital satellite service called
7 "Your Choice TV."

8 From the perspective of a cable programmer such as
9 Discovery, the most important digital spectrum policy
10 decisions will be those the Commission will make regarding the
11 application of must carry and retransmission consent rules to
12 digital TV. Discovery believes the imposition of must carry
13 requirements severely interferes with competition in the video
14 marketplace and impedes the development of new programming by
15 forcing cable operators to devote a significant portion of
16 their capacity to the carriage of programming without regard
17 to viewer preference.

18 Must carry artificially restricts the availability
19 of capacity to cable programmers who have no over-the-air
20 access to viewers. As a result, cable programmers cannot
21 build and develop their audiences and entrepreneurs will be
22 unwilling to risk their capital by investing in new services
23 and programming. Most importantly, must carry will deny the
24 American public the choices and services that will evolve out
25 of a more robust, unrestricted competitive digital TV

1 environment.

2 I also urge the Commission to consider carefully the
3 potential for broadcast retransmission rights to create
4 similar competitive disadvantages. In particular, I urge the
5 Commission to adopt safeguards to prevent broadcasters from
6 unfairly leveraging their retransmission consent rights to
7 demand carriage of additional over-the-air services.

8 In conclusion, I would like to emphasis that cable
9 programmers intend to a vital part of the digital TV
10 revolution. There already are nearly 200 networks vying for
11 carriage and dozens more are in the planning stage. For
12 example, Discovery has announced plans for the development of
13 five new digitally transmitted services focusing on niche
14 programming areas, including at least one service specifically
15 devoted to children's programming. The public's access to
16 these and other new services should be determined by the
17 marketplace, not by regulations that skew the competitive
18 environment. Thank you.

19 COMMISSIONER HUNDT: Thank you, Mr. Hubbard.

20 MR. HUBBARD: Thank you, Stanley S. Hubbard's my
21 name. I thank you very much for the opportunity to be here.
22 I think that everybody in this room believes that the
23 transition to digital will be a very good thing. I know I do,
24 I was there when the switch was turned on in 1948 and I was
25 there when the color switch was turned on and I hope to be

1 | there when the HDTV switch is turned on for terrestrial
2 | broadcasters.

3 | But in order for that to work, it must be done in a
4 | very carefully crafted manner. I've heard a lot of talk about
5 | give away of channels, and I can assure you that when we, as
6 | broadcasters, have to turn on a more desirable channel for a
7 | less desirable channel in order to make the switch to HDTV or
8 | to digital, that's not, to me, a give away. I think that
9 | being on a fasttrack, too fast a track, could destroy the
10 | attempt to go to digital because, as Commissioner Chong said,
11 | I don't think people are going to want to wake up one day and
12 | find out that in order to watch their free over-the-air
13 | television, they must go out and buy a converter or buy a new
14 | television set.

15 | I believe that this transition is going to take 10
16 | to 15 years, at the minimum. I believe that the broadcasters
17 | need all 6 MHz, as Chairman Wiley suggested. I think that any
18 | attempt to put more than one broadcaster on a 6 MHz spectrum
19 | allocation would be a grave mistake and we would be playing
20 | Russian roulette with the interference possibilities. I think
21 | it's going to be a wonderful thing, not a negative thing, for
22 | a broadcaster to be able to provide two free services at a
23 | time. For example, in some day part there may be an
24 | entertainment program on a non-HDTV program, while at the same
25 | time there may be an educational program on which Chairman

1 Hundt talks about, or there may be a discussion on whether or
2 not there should be higher speed limits in the state of
3 Minnesota. All programming will not be HDTV programming.
4 There are thousands and thousands upon hours of good
5 documentary material, educational material, material that John
6 Hendricks uses which is not in the HDTV format and to suggest
7 that we should use all that 6 MHz all the time for HDTV, I
8 think, would be a very grave mistake.

9 So I commend the Commission, I ask you to please to
10 got carefully. I ask you to, at all time, recognize the
11 important free service that the American people have and to
12 not take a chance and jeopardize any of that service and if
13 they have any questions, I'd be happy to answer them.

14 COMMISSIONER HUNDT: Mr. Grossman.

15 MR. GROSSMAN: Thank you, Mr. Chairman. I want to
16 join my colleagues in congratulating you all for holding these
17 hearings that seek to make Federal Communications policy
18 suitable for the digital era. Certainly the arrival of the
19 digital era gives you and the Congress a unique opportunity to
20 revisit the increasingly outmoded and, I believe, largely
21 archaic regulatory scheme that has governed broadcasting for
22 over half a century.

23 I agree with Steve Rattner, in the conviction that
24 the more complex the situation, the clearer and simpler the
25 rules should be. I urge you to recommend to the Congress

1 three basic approaches to telecommunications policy for the
2 information age.

3 First, to do away with the policy that treats
4 broadcasters differently from everyone else. That sounds
5 rather radical, but commercial broadcasting is a business
6 first and foremost and a very good one, and not basically
7 either a public service, and certainly not a public
8 trusteeship, as anyone who listens to radio and watches
9 television would know.

10 In this age of postcard station renewals, greater
11 public service requirements for thousands of radio and TV
12 stations can't realistically either be either overseen or
13 enforced by any government agency and more are coming on board
14 every day. In the digital age, it no longer makes any sense
15 for broadcasting to have that special status, and if there are
16 requirements to be imposed, I certainly agree with what the
17 chairman has said in the past, that they should be specific
18 and limited and clear and focused very clearly on things like
19 children's programming and the very important political
20 campaign process.

21 Secondly, I urge you to recommend that unused radio
22 spectrum be auctioned off rather than given away to
23 broadcasters for high definition at this point. Let the
24 consumers in the marketplace, not the government, decide what
25 are the best uses for the spectrum and what new commercial

1 services should be introduced.

2 Broadcasters should be encouraged to broadcast in
3 the digital mode and make the best use of their bandwidth to
4 engage as well in non-broadcast services. Winning bidders in
5 spectrum auctions should be required, it seems to me, to
6 provide every existing broadcaster with enough bandwidth for
7 at least one digital TV channel free of charge. And for now,
8 that requirement would best serve the interests of small
9 broadcasters as well as the big ones. And yet, such an
10 auction would still produce tens of billions of dollars,
11 estimates run from \$25 to \$70 billion as a significant public
12 dividend for the commercial exploitation of the public
13 spectrum.

14 Third, and finally, I urge you recommend that this
15 Congress follow the wise example of a republican Congress more
16 than a century ago, which, in a moment of extraordinary
17 foresight, authorized the sale of unused public land to
18 finance a remarkable educational initiative. The Land Grant
19 College Act of 1862 opened new educational horizons for
20 millions of Americans and it was what build the nation's great
21 system of public universities and educational research
22 centers. Today's equivalent of the unused public land of a
23 century ago is the public's unused radio spectrum and from the
24 money to be earned from the auctions, a brand new educational
25 and civic information trust fund, suitable for the new age,

1 | can be developed and it can interconnect schools and libraries
2 | and homes for the benefit of all Americans. Thank you very
3 | much.

4 | COMMISSIONER HUNDT: Thank you, and Mr. Lippman.

5 | MR. LIPPMAN: Good morning, and thank you for the
6 | opportunity to speak here. HDTV is an idea whose time is
7 | passed. In the 25 years since the issue was first invented,
8 | it's been eclipsed. The initial vision was a clearer new
9 | television set that you'd wake up to on Christmas morning with
10 | the same programs, the same programmers, the same audience and
11 | the same means of distribution, but it's been overtaken.
12 | Instead, we have new programs, new programmers, new audiences
13 | and new means of distribution. The variables were right, but
14 | the sign bit was wrong.

15 | Digital television is thriving, high definition
16 | television is withering on the vine. the new opportunity
17 | before us is digital broadcasting, not necessarily HDTV or not
18 | necessarily even television at all. The explosive
19 | penetration of personal computers attest to this, they're
20 | begging for networks to attach themselves to. The FCC faces a
21 | challenge today, it faces a one gigabit challenge, that's the
22 | capacity of the UHF band. The challenge is how to get the
23 | bits out and how to leave the meaning of those bits up to
24 | society to determine. You might watch high definition
25 | television during the scrimmage and download a new operating

1 system to your personal computer in the midst of the huddle.
2 You can't assume that a television set will be tuned into
3 those bits at all, you might assume that computers, pagers,
4 telephones and everything else imaginable, even your jacket,
5 could be tuned to those channels.

6 The Grand Alliance has done a tremendous engineering
7 job building a system for the delivery of high definition
8 television pictures and the delivery of the bits that will
9 carry those pictures. They deserve a shot. We deserve a
10 mechanism and a way for us to move forward into the future.
11 They don't deserve an exclusive shot, they deserve one of the
12 many infinite uses of the almost infinite number of bits that
13 are going to be out there.

14 The challenge before you is, get the bits out as
15 rapidly as possible and leave the meaning of those bits up to
16 us to determine dynamically, fluidly, as the technology and
17 the demands of society declare. Thank you very much.

18 COMMISSIONER HUNDT: Thank you all very much. What
19 we are going to do is have a round of questions and answers.
20 It will be six minutes for each commissioner and then another
21 six minutes for each commissioner. If the answer has used up
22 most of the six-minute time, I'm sure the questioners will be
23 frustrated and irritated beyond measure. Commissioner Quello.

24 COMMISSIONER QUELLO: Okay, Mr. Wiley, you've been
25 an effective leader in HDTV, you've seen it for over eight

1 | years, but with auctioning of the digital channel still a
2 | possibility. However, as distasteful that it might be to
3 | some, can you explain in detail what, in your view, would be
4 | the economic impact of an auction of the ability of
5 | broadcasters to finance the transition to advanced TV?

6 | MR. WILEY: Well, I think auctioning of the digital
7 | channel would interfere with the FCC's long planned and
8 | orderly transition from analog to digital to the detriment of
9 | the broadcast viewing public. What you would have is the
10 | inefficient analog transmission remaining, perhaps forever,
11 | and high definition television probably becoming only a
12 | subscription service. There is nothing wrong with that, but I
13 | think it should also be accompanied by free over-the-air
14 | broadcasting service.

15 | And finally, auction revenues are likely to be
16 | higher on the returned and repacked NTSC channels, so if we
17 | want to have auctions, and we want to get the maximum revenue,
18 | if that's the goal, then I think I would auction the return
19 | channel.

20 | COMMISSIONER QUELLO: Um-hum, all right. Mr.
21 | Hubbard, can you provide us with an estimation of the
22 | difficulties broadcasters might have in earning a profit in
23 | the new digital era. You've taken quite a risk yourself for
24 | advanced service to the service to the consumer, what do you
25 | see as earning a profit in the new digital era?

1 MR. HUBBARD: Well, Mr. Quello, I think the larger
2 the market, the easier it will be to earn a profit. But, you
3 know, most markets in this country are not New York, Los
4 Angeles and Chicago. You know, when you get to the smaller
5 markets, such as in Albuquerque or Wichita or at Tulsa, it's
6 going to be very difficult and very expensive for those
7 stations to switch over to digital and it's going to take them
8 a long time to return to the profit stream that they have
9 today because the investment is not going to result in any
10 increased profit.

11 COMMISSIONER QUELLO: All right, thank you.

12 MR. HUBBARD: But a lot of increased expense.

13 COMMISSIONER QUELLO: Yes that's the way I see it,
14 too, but -- Mr. Hendricks, on must carry, you know, I've been
15 with that as long as you have or maybe longer, you know. At
16 one time I was able to make the statement that no monopoly or
17 semi-monopoly transmission pipeline should be able to impede
18 or prevent a broadcaster from serving the public -- a
19 broadcaster's license to serve and so on -- that's been pretty
20 much my attitude on must carry and, you know, isn't there a
21 danger that cable operators could extract pre-carries from
22 broadcasters for their very valuable signal without a must
23 carry? You want to take that on, John?

24 MR. HENDRICKS: Sure, I think the --

25 COMMISSIONER QUELLO: You've heard it before.

1 MR. HENDRICKS: -- the issue boils down to cable
2 programmers, such as Discovery and A&E, we only have one shot
3 to get to the marketplace. We have no broadcast transmission
4 facilities so our primary means of distribution are via cable.
5 For broadcasters, they have, of course, their primary means is
6 over-the-air broadcast. A supplemental means is through cable
7 retransmission. Our fear, and our nightmare, is that a group
8 of five local broadcasters compressing their extra channel, at
9 say, six to one, would have 30 channels that would flood on a
10 must carry basis the cable system. The cable systems are
11 tight as they are today. Some day, they'll have another five
12 channels, perhaps, that can convert to digital, which would be
13 another 30 delivery channels. But, you know, our position is
14 clear, we think that the broadcasters can clearly develop a
15 documentary channel and that would be a great thing to have
16 free over-the-air broadcasting for either at the local level
17 or at the national network level for a broadcaster to have a
18 new documentary channel. But we think it would be enormously
19 unfair for then mandatory carriage then on the cable system
20 that could displace Discovery or A&E or Learning.

21 COMMISSIONER QUELLO: Well, with your multi-channel
22 capacity, why should they have to displace anyone?

23 MR. HENDRICKS: Well, there's a myth that there's
24 this 500 channels of capacity and that ignored the 15-year
25 transition period to digital. A cable operator has to keep up

1 carriage of the analog signal. Once any signal goes digital,
2 it becomes invisible to virtually all of America until they
3 get the new decoding equipment. And so the cable systems
4 today are at average capacity of around 45 channels, through
5 upgrades they'll get another five, perhaps ten, analog
6 channels that could be converted, those additional channels,
7 to digital. So five new channels at six to one compression,
8 would give 30 new channels. Now, someday, maybe 15 years from
9 now when everybody in the United States has digital decoding
10 equipment, that 50 channel cable system could go, say, at ten
11 to one compression and have 500 channels, but that's a long
12 way into the future.

13 COMMISSIONER QUELLO: Well, I think of the
14 broadcasters getting five or six channels for the single
15 channel now is going to be sometime in the future, too, I
16 mean, if that's going to be used as an argument. But, Mr.
17 Grossman, I made the statement and I probably disagree with
18 you a little bit on this, and I said broadcasters had their
19 best executives and the best engineers developing HDTV and
20 digital for eight years. They finally developed it, now that
21 it's developed, they say, well, auction it off. You can
22 compete with all people, have direct payment from consumers
23 and compete with them. Now, we know that going into HDTV will
24 cost broadcasters the price of a transmitter, they will be
25 transmitting initially with people that don't have HDTV

1 receivers, it's going to be a very expensive process.

2 I find it a little hard to accept as fair the fact
3 that broadcasters developed the technology and now they have
4 to bid against everyone that has maybe direct income, whether
5 it's the telephone, cable, or cellular, how do you answer
6 that?

7 MR. GROSSMAN: I agree, it's a very hard decision,
8 Mr. Quello. But I also agree with Mr. Lippman, that in many
9 ways, this has gone by. The broadcasters will have the 6 MHz
10 that they use for analog. Down the road, they may decide and
11 you may decide it would be wise to convert to HDTV if that
12 seems to be the way. The Japanese certainly are having
13 terrible problems in that very conversion, and here you have
14 an opportunity to really let the American people and the
15 companies in the marketplace decide which way this spectrum
16 should be used and how to use it in the most efficient manner
17 and the best way to assure that it will used in the most
18 efficient manner is to see what prices that will fetch and
19 particularly when the public dividend that could be created
20 for that in terms of reducing the deficit and providing for
21 alternative systems for education and specific and public
22 service use. I think the price is well worth it.

23 COMMISSIONER QUELLO: Okay, I've been told my time
24 is up, so.

25 MR. WILEY: Can I just comment on that last point,

1 | though.

2 | COMMISSIONER QUELLO: Yes.

3 | MR. WILEY: That HD has somehow gone past that Mr.
4 | Lippman and Mr. Grossman have made. I don't know understand
5 | the basis for that? I mean, the Japanese system, which is a
6 | satellite delivered system, analog transmission, is certainly
7 | not a guide for what could happen here in the United States
8 | with the terrestrial system with the world's leading
9 | technology. To say that it's simply gone, I think, is just
10 | fallacious. Plus we can have, once again, both high
11 | definition and standard definition and all the NII
12 | interoperability. It's our bullets, we can have it all and I
13 | don't know why we should step back to the past simply because
14 | the Japanese haven't done it.

15 | COMMISSIONER HUNDT: I think Mr. Wiley was borrowing
16 | from your time, Commissioner Barrett.

17 | COMMISSIONER BARRETT: Meanwhile -- that gives me a
18 | little more time.

19 | MR. WILEY: Yes, I always thought it was give, give,
20 | give. Go ahead, Commissioner Barrett.

21 | COMMISSIONER BARRETT: Steve, how are you?

22 | MR. RATTNER: Fine.

23 | COMMISSIONER BARRETT: We have a heard a great deal
24 | about the limited amount of -- Mr. Grossman and Mr. Lippman
25 | talked about HDTV having passed by and Dick just responded in

1 kind from his perspective. How does the financial community
2 feel in terms of the capital that they have, given the fact
3 that you have many places to place you invested money in and
4 you have a limited amount to invest, has it passed by from
5 your perspective?

6 MR. RATTNER: I think Stan Hubbard addressed this in
7 connection with STV or with digital TV and I think it goes
8 even more so with HDTV. As I said in my statement, from the
9 point of view of Wall Street, it is difficult for us to see
10 what incremental revenues or profits would result from
11 financing HDTV expenditures. That's not to say that HDTV
12 shouldn't happen, it's just very difficult for us to see how
13 that's going to result, as I said, in additional revenue and
14 cash flow.

15 COMMISSIONER BARRETT: If you had to place in some
16 kind of ranking order, where you would advise institutional
17 investors to invest their money or who they want to invest
18 money, where would HDTV rank? It certainly would rank above
19 video-on-demand, but where would it rank?

20 MR. RATTNER: I'm not sure it would rank above
21 video-on-demand.

22 COMMISSIONER BARRETT: Well, that's interesting.

23 MR. RATTNER: I think, again, if you look at it
24 purely from a profit and loss point of view, putting aside
25 public policy issues which, I don't think, we should put aside

1 but for the purposes of answering your question, I'll put
2 aside for the moment, many of these new services that all of
3 us on the panel alluded to that could be provided, whether it
4 be data transmission or wireless communications or whatever,
5 certainly have the potential for profit and therefore would be
6 of interest to Wall Street. Video-on-demand, a much debated
7 and controversial subject, has some possibility for profit as
8 well. As I said before, HDTV, it's not obvious to me, and I
9 don't think it's obvious to anybody on the panel, where that
10 exactly leads in terms of profits. Not to say it's a bad
11 thing, but where it leads in terms of profits and so what I
12 come down to, in my own thinking on this, is it just strikes
13 me that unless there is some form of HDTV mandate, I think
14 it's very difficult to envision how or why HDTV ultimately
15 happens. I think if you turn the spectrum over to the
16 broadcasters and say, do what you want with it, I would be
17 relatively pessimistic myself that there would be a lot of
18 HDTVs simply because the economics don't push you that way.

19 So if the policy decision is we want HDTV, I think
20 it's going to require some form of mandate from the Commission
21 for that to happen.

22 COMMISSIONER BARRETT: Hum, okay. Dick, you're
23 shaking your head, take at least 30 seconds to --

24 MR. WILEY: Okay, I'm just have -- all the universe
25 of film product that we have today, in our language, which is

1 a big advantage for this country, is high definition
2 television and I don't have any question that broadcasters, if
3 given 6 MHz, will end up showing high definition television
4 sports and the film product. But I think they should also get
5 the opportunity to do SDTV, multiple SDTV and other kinds of
6 data services.

7 COMMISSIONER BARRETT: Mr. Braun, you had talked
8 about you find it difficult to fund local programming, when
9 things do not occur as it relates to the spectrum. Tell me
10 what programs you're talking you'd have --

11 MR. BRAUN: Local news in particular, but what --

12 COMMISSIONER BARRETT: Let me ask you a question.

13 MR. BRAUN: Sure.

14 COMMISSIONER BARRETT: When you do fund that, that's
15 revenue supported?

16 MR. BRAUN: No, don't forget the networks actually
17 pay the local broadcaster to carry their programming so one of
18 the -- there's a vast number of television stations in this
19 country that would not be profitable were it not for the
20 compensation paid them by networks. That money is reinvested
21 in local news. They would not be able to have local news
22 operations if they did not have cash compensation from
23 networks.

24 COMMISSIONER BARRETT: Well, you're right, no
25 question about that but that's part of the affiliation

1 agreement. It seems to me that while I don't always react to
2 the term, and I use it quite often with my colleague, Jim
3 Quello, free over-the-air broadcasting. What we're really
4 talking about is advertise-sponsored local programming and
5 clearly you are not doing this without revenue support from
6 other sources in addition to the network, at a local level --
7 situation.

8 MR. BRAUN: It's all advertising, no, it's all
9 advertising. It's advertising supported at the national level
10 and at the local level.

11 COMMISSIONER BARRETT: Okay, I just don't want to
12 make people think it's free. We don't pay for it, but it has
13 --

14 MR. BRAUN: Right, it's free to the consumer, it's
15 free to the consumer.

16 COMMISSIONER BARRETT: Okay.

17 MR. BRAUN: And I --

18 COMMISSIONER BARRETT: And you were going to respond
19 to my question which basically to Mr. Rattner was from the
20 financial perspective, and Dick from the amount of public
21 policy, I'm not sure where you're from.

22 MR. BRAUN: If I may. Well, the question I would
23 raise is --

24 COMMISSIONER BARRETT: No, I don't want you to raise
25 a question, are you going to respond to the --

1 MR. BRAUN: Well, the response to Mr. Rattner's
2 comment is then that likewise, I presume, the financial
3 community would find it uncertain and ambiguous if
4 broadcasters were legislatively or regulatorily prohibited
5 from competing against other forms of delivery for CD quality
6 sound and digital pictures. I think it would be --

7 COMMISSIONER BARRETT: What other forms of delivery?

8 MR. BRAUN: Other wire line and DDS. So if we don't
9 have sufficient bandwidth to actually deliver comparable sound
10 and picture, I think the financing underpinnings of the
11 broadcasting industry are actually going to be at risk.

12 COMMISSIONER BARRETT: Okay, Stan, were you going to
13 --

14 MR. HUBBARD: I say Mr. Braun is absolutely right,
15 so is Mr. Wiley. Everybody will want to go into HDTV, it'll
16 start from the bigger markets down, as did color.

17 COMMISSIONER BARRETT: Thank you, Mr. Chairman, I
18 will -- and again -- well, let me go back to Mr. Rattner again
19 because I think it's important that we understand that what
20 Chairman Wiley's talking about and what Steve is talking about
21 certainly, while not compatible while they sit there, we can
22 make good public policy and do the things that make Mr.
23 Rattner survive and certainly do the things that Dick Wiley
24 wants to see come forth. Steve, if you had in your mind to be
25 able to develop the -- a policy in your mind to take care of

1 | your financial interests and take care of Chairman Wiley, what
2 | would you do as a regulator?

3 | MR. RATTNER: Well, let me say, I'm happy to say I
4 | think I'm going to survive, whatever we do on this question.
5 | But --

6 | COMMISSIONER HUNDT: And very handsomely as well.

7 | MR. RATTNER: Excuse me, and you as well?

8 | COMMISSIONER BARRETT: Mr. Chairman, I want to tell
9 | you, we were in Italy and I had to fly back on a slow plane.

10 | MR. RATTNER: Germany, Germany.

11 | COMMISSIONER BARRETT: And he took a much faster
12 | plane back. Germany, we were in Germany, that's right,
13 | Germany. Now, I'll tell the truth, that's where I caught that
14 | cold, in Germany last week.

15 | MR. RATTNER: It felt like Italy. I think that what
16 | I would say on that, and unfortunately, i can't solve your
17 | problem for you completely because I'm not a regulator, I'm in
18 | the financial world. I have no problem with you, with HDTV,
19 | with the Commission mandating HDTV, with broadcasters doing
20 | HDTV, and, as a consumer, I probably would actually be a buyer
21 | and enjoy it and make use of it. All I'm here to point out to
22 | you here are a couple of things.

23 | First, that I don't believe that HDTV will happen in
24 | a meaningful way without some form of a push from the
25 | Commission because I don't believe, for example, if the

1 spectrum is auctioned, that the resources will be available
2 for the existing broadcasters to buy it and use it for HDTV.

3 I don't believe there's any great financial
4 incentive today for a broadcaster's interest in HDTV at all,
5 even if he had the full 6 MHz, simply because I don't know if
6 there's any way for him to recoup that money, and therefore,
7 voluntarily I'm not sure he's going to do it.

8 So, if the Commission decides that from a public
9 policy point of view, from the point of view of promoting
10 American interest internationally, the Grand Alliance, all
11 these different things that we all know about, I think the
12 Commission's going to have to make it happen and that is going
13 to involve a very difficult public policy balance between
14 allocating the full 6 MHz for HDTV, at least part-time, and I
15 take your point, Dick, versus having it being used for other
16 services that could produce greater profits. It's a bit of an
17 apples and oranges comparison, unfortunately. Greater profits
18 on the one hand, versus a public interest or a long-term
19 public benefit of having high definition television.

20 COMMISSIONER BARRETT: Something we do -- and have
21 some high level respect for the investment thoughts and a
22 number of other things. Let me stop and I may, on the next
23 round of questioning, may want to get back into that.

24 MR. RATTNER: Can I just say one last question on
25 this, Commissioner? From an investor yield --

1 COMMISSIONER BARRETT: That's the end of time.

2 MR. WILEY: You'll get a chance, I'm sure.

3 COMMISSIONER HUNDT: You can a chance, Commissioner
4 Ness.

5 COMMISSIONER NESS: Thank you, Mr. Chairman. Mr.
6 Wiley, you talk about the flexibility of the Grand Alliance
7 system and Mr. Hendricks commented about his concerns with
8 respect to must carry. How do you rationalize, how would you
9 handle if you were here to make a determination about must
10 carry, how would you handle the Grand Alliance system with
11 respect to the limited carriage opportunities on cable?

12 MR. WILEY: Well, I think that is, you know, really
13 a government policy but, from my standpoint, I think if you
14 give the broadcasters four channels, it is a little difficult
15 to require, it seems to me, must carry of cable on all those
16 channels. I think that would be more difficult. I'd like to
17 see the HDTV channel and they use the whole channel for one
18 program. I think that should be must carry, under current
19 policy.

20 COMMISSIONER NESS: Okay, Mr. Rattner, you comment
21 quite eloquently about the dual goals of certainty and
22 flexibility. How do those dual goals live happily ever after
23 in an environment where a broadcaster perhaps would be able to
24 offer paging services or other services in competition with
25 some of the other folks that you regulate, or that you